

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 6278

BILL NUMBER: SB 68

DATE PREPARED: Nov 9, 2000

BILL AMENDED:

SUBJECT: Assessment of agricultural property.

FISCAL ANALYST: Bob Sigalow

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill allows a parcel of land to be: (1) classified as a farmland preservation parcel upon application to the township assessor; and (2) assessed thereafter at \$1 per acre if the parcel contains at least ten acres, does not contain a dwelling or another usable building, and is assessed as agricultural land. It requires payment to the county of the property tax benefit received over a period of up to ten years if the land is withdrawn from the farmland preservation parcel classification.

Effective Date: Upon passage; January 1, 2001 (retroactive).

Explanation of State Revenues: The State levies a one cent tax rate for State Fair and State Forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds. If this bill results in the maximum reduction of AV (\$3.6 B) as explained below, the loss to the State Fair and State Forestry funds would total about \$360,000 per year. **The actual fiscal impact depends on the amount of land that farmers request to be reclassified.**

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, agricultural land is assessed at a base rate of \$495 per acre. Under this bill, classification as a farmland preservation parcel means that the land would be assessed at \$1 per acre. The 1998 payable 1999 net assessed value (AV) of agricultural real property was \$4.8 B and the net property tax was \$302.9 M. Data from the Census of Farming, including the number of farms by size of farm, was used to estimate the amount of property tax due by size of farm. It is estimated that the reduction in AV if all eligible taxpayers apply for the classification could be as much as \$3.6 B.

Reductions of the AV tax base cause a shift of the property tax burden from the taxpayers receiving the reductions to all taxpayers in the form of an increased tax rate. A \$3.6B reduction in agricultural land AV would cause a statewide tax shift of about \$227 M. **The actual fiscal impact depends on the amount of**

land that farmers request to be reclassified. The reclassification would first be available for taxes paid in 2002.

Total local revenues, except for cumulative funds, would remain unchanged. The revenue for cumulative funds would be reduced by the product of the fund rate multiplied by the AV reduction amount applicable to that fund.

If land that is classified as farmland preservation is withdrawn from the program, the bill requires the taxpayer to pay the taxes that would have been due on the property during the past ten years plus interest at a rate of 10% per year. These payments would be paid into the county General Fund. County revenues would increase due to these payments.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: County Assessors, County Auditors

Information Sources: 1998 PAY 1999 Property Tax Analysis, State Board of Tax Commissioners; 1997 Census of Agriculture, U.S. Dept. of Agriculture.